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WHY INDIA IS MISERABLE

We are now accustomed to laugh at the Negroes of Africa who parted with gold dust in exchange for glass beads. They were, of course, foolish; but can we, Indians, hope for a better verdict from posterity?

What are we doing? The Negroes exchanged the gold dust which they had in plenty and which they did not need, for articles which, to put it at the worst, were not harmful. Our record is far worse. We are parting with valuable products like rice and wheat for liquor and tobacco—food in exchange for poisons. And the food we send out is not from the surplus, but by cutting short supplies that we badly need; and from any view point there is no excuse for importing the poisons. For, if at all we need them, they can be manufactured here in plenty.

And this is only one feature of our foreign trade. In reality, the position is worse. There is hardly any country in the world whose foreign trade is conducted so patently against her own interests.

Just note how it operates. When our articles are sent out, the trade is in foreign hands. The profits thereof are reaped by others.

The articles are shipped in foreign steamers. So the freight goes out of the country.

The barter is made through foreign banks who enjoy the commission thereon.

The goods are insured, for their safety on the voyage, in foreign companies, who thus get the premium.

Thus, on every article sent out, all the profits of trade and commission go almost entirely out of the country.

Similarly on imports into India. The trade profit, the bank and insurance commission and the shipping charges are enjoyed almost entirely by foreigners. Hardly ten per cent. of either the import or export profit and commission comes to Indians.

Can you think of any other country which suffers such a loss? In every other land, at least half the profit and commission is reaped by its own nationals. In countries like England and France, the share of the children of the soil is perhaps seventy to eighty per cent.

Fifty Crores a Year

What may be the annual loss on this score? Surely it cannot be less than forty to fifty crores. And this explains why India has been growing steadily poorer.

You may ask how this money is lost, or taken out. It is thus accounted for.

Every year the difference between exports and imports in the foreign trade of this country is about fifty crores *i. e.*, India sends out articles for which she should get back, in addition to the imports, about fifty crores of rupees. But she does not get the same. The sum is almost entirely lost, so far as Indians are concerned. But it does not go completely into the pockets of foreign merchants. About 20 to 25 crores of it form what are called the "Home Charges"—what the Government of India pays by way of interest on foreign loans, pensions for retired officers, payment to the British War Office for training recruits to its own army in India, and such other charges. The balance of the trade deficit goes to the merchants; but that is only one portion of their share. The other and a larger one constitutes their investments in India.

What that is, no definite figure is available; but the life of Sir Andrew Yule shows how those "investments" are made.

That gentleman came to India as a clerk; but soon built up a business on his own account and steadily amassed a fortune of about twenty crores. Not one pie of it he brought from England. That entire sum constitutes his profit here; but in course of time, it became his "investment." That is the history of most foreign "investments" in this country. The foreign merchants do not take away all their profits out of India but invest the bulk of them here on expanding their business or starting others. Whatever their method, the point to be noted here is that the crores of foreign holdings in India are mostly out of the profits they earned here. They brought very little of it from their own native country; and the bulk of those earnings was from India's foreign trade.

How The Money Goes

One other disastrous feature of foreign trade may here be noted. By force of economic circumstances, India is forced to part with products immediately after harvest, *i. e*., when the prices are the lowest.

How is that done? The agriculturist is heavily indebted and the lender naturally tries to get the utmost he can as soon as the ryot gathers his produce. That is the first pressure on him. Next comes land revenue. That also is collected immediately after harvest. These two conspire together to compell the ryot to part with his produce soon after he gathers it; and the prices then are the lowest. If he should retain the produce for a few weeks or months, the return will be far larger; but he cannot do so. He does not have the facilities to keep the same. If, for instance, co-operative banks rich enough to meet his interest or revenue charges are at his disposal, the ryot can wait for a better price; but unfortunately for him, there are few such facilities.

This compulsory sale of produce when prices are lowest lead to three consequences. The returns to the ryot are the

lowest; secondly, he has to get rid of almost all his crop, not retaining enough even for his own sustenance in the remaining months; and the profit on his produce is reaped by the middlemen or the foreign exporters.

The recent Agricultural Commission recommended that the ryot must be saved from these evils; but nothing has been done. To complete this part of the picture, it must be added that banks too, conspire against him. Most of the banks withdraw their funds at the critical moment from the interior to the ports where they are used in financing foreign trade.

Finally, foreign trade has converted India into a nation of producers of raw articles. Even in spheres where the finished product can be made in India, we are compelled to import. For instance, we export cotton and import piece-goods. We export oil seeds and import oil. We export minerals and import the same after manufacture. What justification can there be for such a procedure? The harm is very great. Take the case of cotton. We supply the raw produce and an extra sum by way of foreign wages of mill hands, profits of millowners, and all the other incidental charges of foreign trade and then buy the same cotton as cloth. Why should this loss be incurred? And it is one feature of our foreign trade.

Currency Storms

Finally, it is because of the vast foreign trade that our currency and exchange manipulations are so disastrous. If we had no foreign trade, the Blackett ratio would have done no harm. It is even doubtful whether that astute politician would have thought it worth while to force that ratio on this country.

Just see how these manipulations are assisted by foreign trade. Indian merchants placed orders for cloth and other goods, prior to the Hailey Reverse Councils Loot, under the belief that they would have to pay for the pound at Rs. 7 to

Rs. 8. But when it came to actual payment, the exchange value of the pound had risen to Rs. 15 if not more. The loss on this score has been variously estimated between 200 to 400 crores. Even taking it at the minimum, it is no small sum for a poor country like India. And that huge loss would have been out of the question but for our large foreign trade. Such disasters are of course rare, but whenever they come, the losses are stupendous.

These facts are enough to convince any reasonable person how foreign trade is most harmful. In text books written specially for our students, it is dinned into their ears that foreign trade constitutes a measure of our prosperity —that the larger its volume, the greater is the benefit to India. Quite the reverse is the fact. Foreign trade has been the main cause of India's economic ruin.

Political Reactions

Moreover, the vested interests created by foreign trade have an unfortunate effect on other walks of our national life.

Take railways, for instance. Their whole policy is so framed as to assist foreign trade, giving greater facilities to the importers than to the Indian manufacturer. The extent of this mischief is almost unbelievable. Till quite recently, the Railways would not accept the production of Conjeevaram weavers for transport. Why ? Could any reason be advanced, except that the Railways wanted to make matters more easy for the foreign producer ? To-day tons of tears are being shed for the weavers because they are asked not to use the cheaper foreign yarn ; but all these benefactors were nowhere, when the railways sought to smother them by refusing the transport of their wares !

To-day, such outrageously anti-Indian decisions are not much in evidence ; but in essence, the railways still are more helpful to the foreign trader than to the local producer.

Even more mischievous has been the reaction of foreign trade in our politics. One has only to watch the performance of the foreign merchants of Calcutta to realise its extent. They were the real masters in India till the capital was removed to Delhi; and that is why they have not yet forgotten its transfer. Even now their hand can be seen in most of the unfortunate decisions reached in official circles at Calcutta and Simla.

In every country, the mercantile classes do play a prominent part in politics; but in India, on such bad lines has our foreign trade been developed that these non-Indian merchants look at problems from a view point that is often unpatriotic and unnatural. They frequently proceed on the assumption, due perhaps to their own knowledge of past injustice to India, that every progressive change will be to their detriment. Such an outlook will vanish only when the entire basis of foreign trade is so altered as to leave no chance for unfair exploitation, in which case, every merchant, Indian or non-Indian, will be compelled to look at political problems from a sane angle.

If it be Stopped

Let us now examine the foreign trade problem from another view point. Suppose the Viceroy to-morrow agrees with us, and issues an Ordinance stopping all foreign trade, both imports and exports. What will happen?

First, there will be fewer drunkards. There will not be enough liquor for our "civilised" or educated sots. Surely that is not bad.

Secondly, there will be fewer cigarettes going round. That again is not bad.

Export of rice, wheat and other articles of food will stop. Their prices will go down a bit; but what will be the consequence? There will be food for all. Fewer Indians will starve.



Children : Father, why do you part with those foodstuffs for liquor and other poison ? Don't you see that we are starving?

Father : I see that. But am I not to have the necessities of a civilised life ?

At this stage, a brief digression is necessary. The present arrangement regarding our foodstuffs is very unfair. The Indian is pitted against foreigners whose income is far higher. If the Jap wants rice, he gets it from India. How does that operate? His income is far larger. He can afford to pay for a measure of rice, a far higher price than the poorer Indian. Or take the use of wheat. Is it fair that there should be equal competition between an Indian and Englishman, when the latter's income is nearly fifteen times larger? He can afford to pay four annas per loaf; but an Indian cannot; yet under the present system of what is called free trade, the poor U. P. cooly has to compete for his daily bread against an Englishman. In view of India's poverty, it must be the endeavour of the State to provide cheaper food in India; but that is not done. Naturally our food goes to the person who can pay more, compelling Indians to starve.

This is one of the most distressing features of our politics. Even our own politicians do not recognise that the vital interests of the poor should be safeguarded. Thus they are forced to ccmpete for food with people whose income is far greater.

Look at Russia

Reverting now to the main theme, *viz.*, the consequences of the sudden stoppage of our foreign trade, it is undoubtedly true that the growers of some commodities like cotton and groundnut, for which the local demand is below the total production, will suffer; but that will be only for a brief space. Their producers will at once change the crop and grow articles for which there is a demand.

Similarly, in the matter of imports, prices of certain commodities will go up; but the people that will suffer thereby will be very few. Take the case of motor car. Its price will go up; but not one in a thousand owns a car in India and the loss on this score will fall on those who can afford to bear he same.

But even this loss will be only for a brief space of time. India will soon learn to produce motor cars. In fact, there is hardly any article of import which cannot be locally produced.

There will be dislocation for a few years; but the advantage will be stupendous. We can get a fair glimpse of it from Russia. It was put to great suffering soon after the Soviet Revolution when its foreign trade was brought to a stop. But what was the consequence ? Starvation has vanished from the land and to-day Russia is a terror for other countries. Not only does it produce almost all it needs but it has a big surplus in many lines.

India is Stronger

India is to-day far better situated than Russia. Properly organised, not only can we snap our fingers at foreigners but can be a greater terror than the Soviet. For, in the first place, we have a monopoly of such articles as jute, for which the world has failed to find an equally cheap substitute. If its output is properly restricted, India can easily force the world to pay out sixty to seventy crores of rupees per annum.

Secondly, our supplies are inexhaustible in hydro-electric power or in raw materials like timber and bamboo for paper, in which the rest of the world is rapidly heading for a famine. In a few years, India will be in a position to exact special terms in these lines.

Please note here that what can be a source of strength and profit to India under proper organisation, is now a source of loss and misery.

By failing to restrict jute production, the income to India from this source has been reduced to twenty to thirty crores of rupees. Its producer hardly earns enough to sustain his family and the parties that profit thereby are mainly foreigners, whether they be the mill-owners of Calcutta or the users

of jute in foreign lands. The Government of Bengal knows what quantity of jute has to be produced if the grower is to get the best price; but till quite recently it systematically declined to enforce or even influence such restriction in production. It even went to the extent of placing impediments against such reduction. Happily, the folly of that policy has now been recognised.

How to Proceed

Of course, no Indian, will ask for a sudden stoppage of foreign trade. It will do if it be so recast and restricted as to make it profitable to Indians.

In the first place, until the share of Indian merchants in foreign trade becomes predominating, our first endeavour must be to curtail foreign trade to the lowest, so that the loss in shipping, banking and insurance may be cut down to the least possible figure.

The export of food-stuffs must be restricted by a heavy tariff. Enough must be preserved in the country to prevent the annual recurring scarcity.

Production of raw materials for the sake of foreign export must be considerably reduced. Our ryots must not be placed at the mercy of foreign users. Production must be restricted to the national requirements.

Import of poisons, like liquor and cigarettes, must be entirely stopped.

Where articles of foreign import can be produced locally at a fair price, a heavy import duty must be levied.

If these steps be taken, there will be an immediate change in the economic condition of our people. Not only will they have enough to eat but they will earn comparatively more—though not in actual cost, at least in the purchasing value. Moreover our growers will be saved from those recurring plagues of absence of foreign demand, and the annual drain of having to sell at the time when the prices are lowest.

These reforms will of course stop the present ruinous exploitation by foreign merchants; but will not reduce their opportunities for legitimate business. They can turn their attention with equal profit from foreign trade to local industries. The foreign banks, for instance, will divert their funds to internal trade and agricultural credit. The margin of profit may be smaller; but it will be surer.

Indians are Misled

The view points here put forward will seem rather grotesque to most of our "educated" people; but that is because they have been brought up on foolish notions. In some matters, they have been told actual untruths as when they are asked to measure prosperity by foreign trade; but in most others they are the victims of half truths. The economic maxims they learn refer mostly to small nations and do not hold good for a continent like India, which can also be easily self-supporting, which is not the case with most other countries in the world.

A little consideration will show that India occupies a position more akin to that of the United States and Russia than that of England or France and with this difference. Potentially, our position is far stronger than that of even those two countries. To America, the weakest point is over-production on lines which cannot be easily given up, thus forcing it to rely largely on foreign custom. India has no such weakness. And Russia is not self-supporting to the same extent as India, nor is it in the fortunate enjoyment of monopolies as in jute.

Even at the risk of being accused of boasting, the writer maintains that India is the only country that can stand against the Soviet or any other in the coming economic clash. Even America cannot. For, while it can keep out the Soviet's dumped articles, Russia can still hit it by flooding America's foreign markets. The Soviet can hold no such threat at us.

India can, without fear, ask the Soviet to do its worst even if it embarks on a dozen more five year plans—assuming of course that our foreign trade is re-organised on the lines already suggested. Not only that. With the resources at our disposal, India can evolve an economic structure far more stable and acceptable to humanity than that of the Bolsheviks.

Ignore the Bankers

The trend of international thought today is for making every nation self-supporting and self-contained; but capitalists, bankers in particular, are desperately striving against the adoption of such a safe policy. For nothing serves their own ends as the encouragement of foreign trade.

Discussing the present plight of England, Mr. Bernard Shaw recently blamed the bankers for misguiding the nation.

"The Bankers are always thinking of foreign exchanges and foreign trade. They are still looking forward to the restoration of our old trade relations with foreigners which is impossible. We should abandon all hope of recovery of our old foreign trade and make up our minds to consume and produce at home and cease imagining that we are ruined when exports and imports fall off."

If that be so for a powerful self-ruling country like England, all the more is the urgency for India to stop thinking in terms of foreign trade. We must confine it only to our surplus produce, *i. e.*, when the yield become bumper and surpasses expectations. Else, India must limit her production to her own requirements.

And this self-sufficing policy is in consonance with Gandhian ideals. Rama Rajya is out of the question if we should be hankering after foreign markets. That quest is as harmful to us as to our customers.

Look at history and see what harm foreign trade has done. But for the competition for foreign markets, the last

war would not have been fought. It was for economic aggrandisement that Germany built her fleet in rivalry to England; and the trade fear it was that led England to join France to crush Germany. Such has always been the lesson of history. Why go to even foreign countries? In India itself, was it not for getting a hold on our own markets that the East India Company sought political power and deprived this country of its freedom?

And is it not because of the fear of losing the Indian market that England is hesitating to grant Swaraj to us?

Inviting Disaster

If India is to go after foreign trade, she will be led to be aggressive in international disputes. If, for instance, China intends to impose a tariff on our cloth, our mill-owners will raise a howl and to safeguard them, influences will be brought to bear on the Chinese Government to stay its hand. In this way India will get involved in international affairs and be forced at times to take the aggressive.

And does it benefit a country to develop foreign trade beyond disposing of its own unexpected surplus? It does not. The present position of America and England testify to that fact. If these two countries had embarked on the safe policy of self-sufficiency, they would certainly not have been in the present perilous situation. Even more than England, America was in a powerful position to build up such a safe structure; and that was the ideal of its early leaders; and that is the explanation for its high tariffs. But at a later stage it fell into the clutches of financiers and paid special attention to exports to foreign countries. The consequences are being experienced to-day—though few of the victims seem to realise it. They still think that they can re-build the foreign trade on a stable basis and thus regain prosperity. Even if it happens, the end will be disastrous. For the tendency to-day is to make every

country self-sufficing and as that movement spreads, aggressive trading nations like America are bound to suffer vicariously.

Look again at Lancashire. Even if the Indian market be restored, there is absolutely no chance of its restarting all the mills closed down in recent years.

Will it not be very foolish on the part of India to ignore this experience of other lands?

Even assuming that it is safe to rely on the stability of foreign markets, whom does such trade benefit? Only the capitalists, the bankers in particular. The masses hardly find themselves in a better position. To secure a foreign market, articles have always to be manufactured on a vast scale, which means that the workers are crushed, physically and intellectually. Even from the monetary view point, large manufacturing industries are not for the good of the workmen.

In view of these facts, India must set its face resolutely against the development of her foreign trade and try to make itself economically self-contained and self-sufficient.

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